

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

SENATE COMMITTEE ON
TELECOMMUNICATIONS AND CONSUMER AFFAIRS

April 16, 1991Hearing Room B
1:00 p.m.Tape 44 - 45

MEMBERS PRESENT:Senator Jolin, Chair
 Senator Otto, Vice-Chair
 Senator Kennemer
 Senator Bunn
 Senator Shoemaker

STAFF PRESENT: Cherie Copeland, Committee Administrator
 Apryl Poff, Committee Assistant

MEASURES HEARD: State telecommunications policy, INF.

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INFORMATIONAL HEARING.
TAPE 44, SIDE A

005 CHAIR JOLIN: Calls the hearing to order at 1:09 p.m.

015 MOTION: Chair Jolin introduces LC 4028.

017 VOTE: There being no objections the motion carries.

Witnesses: Gary Wilhelms, US WEST Communications.
 Oren Floyd, United Telephone.
 Ed Parker, Parker Telecommunications.
 Duncan Wyse, Oregon Progress Board.
 George Beard, Executive Department.
 Ron Eachus, Public Utility Commission.

040 DUNCAN WYSE: Submits and summarizes telecommunications goals in the Oregon Benchmarks report (EXHIBIT A). Gives description of goals and accomplishments. Our first goal is to have single-party, touch tone-capable telephone service. Our next goal is to have Oregon telephone lines that can transmit reliable data at medium speed.

054 Senator Bunn arrives at 1:13.

111 GEORGE BEARD: Discusses the two questions the Governor's Task Force considered recently. The report is not yet completed.

>Reviews existing telecommunications systems in state government.

>Role state government should be playing in telecommunications throughout the state.

Telecommunications lack stature and roles are fragmented in state government. The Executive Department, the PUC, and General Services each has their own roles to fulfill. The state is the largest consumer of telecommunication services in the state and it isn't exercising the leadership it should when setting statewide goals for telecommunications utilities. The Task Force is recommending, under the direction of the Governor's office, that further consideration and studies be conducted.

174 RON EACHUS: There is a tendency to think that if it isn't in the benchmarks it's not there. Not everything lends itself to the benchmark concept. Telecommunications, we found, was one of those. It is difficult given changing technology to apply benchmarks to telecommunications in the way they have been applied to other issues. The current benchmarks were developed under existing accepted policy that we need a high quality system that's able to do some basic functions. Those basic functions have changed. The telephone is more than a medium for transferring voice. It is used for data and fax; it's role is changing and those benchmarks should recognize it.

Establishing the overall policy within which you decide what it is you want needs to be focused on first. And then decide what the measurements are that tell us our progress toward that. We don't have this in telecommunications at this point.

Telecommunications should be a strength that the State of Oregon should work on. Telecommunications can be a substitute for travel. Telecommunications can also make government smaller and smarter. Do we want to change our view of infrastructure? Education and transportation are primarily publicly funded; telecommunications is private monopoly investments.

The PUC is responsible for making sure there is a high quality, universal telecommunications system with just and reasonable rates. We are also responsible for trying to encourage innovation through a balanced approach to regulation and competition. That is the only policy directive the PUC has. Don't worry about benchmarks; work on the policy.

348 CHAIR JOLIN: The telecommunications policy bill, sponsored by Senator Duff, has been dropped at the desk and assigned the number SB 1208.

351 GARY WILHELMS: I agree with everything that has been said so far and want to make three points. First, we should redefine universal service. We need to go beyond the concept of good quality service at reasonable rates. Secondly, on the top of our priority list is placing telecommunications in its appropriate place with the rest of infrastructure as we move forward. And third, the state government needs to leverage its position as the largest customer to make things happen, first as coordinated state needs then outward for the whole state.

Regulators should take another view of excess profits. Instead of refunding, they should order reinvestment in improving the network.

Ninety-three percent of the residents in the State of Oregon have telephone service. The following are reasons people do not have telephone service:

- >Vacant residency.
- >Simply don't want telephone service.
- >Aren't close enough to receive phone service at a price they can afford.
- >Bad credit history.

Single-party capable service is offered in Oregon households in US WEST

territory. If you live outside of the base rate area you must pay extra to get this service.

490 SENATOR BUNN: While expanding a single party service without paying an extra fee for that, do the customer's rates go up?

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039 GARY WILHELMS: The customers would pay the one-party rate which is higher than they would be paying now if they were on a suburban rate.

041 SENATOR BUNN: Are we taking people who are on a multi-party line because that is all they can afford and putting them out of the market?

047 GARY WILHELMS: There are some people who are in this situation. I'm not certain of the exact number but it is far fewer than the public perception may be.

058 SENATOR BUNN: Is the 85% in the benchmark the current figure or was that a projected figure?

060 GARY WILHELMS: That percentage is an objective.

076 RON EACHUS: I don't think we should assume that everyone has multi-party service by choice. A lot of times they have this service because that is all that is available to them. There are some cases where someone may be paying more for this service.

100 SENATOR KENNEMER: Each of the telephone companies is responsible for the service and the infrastructure for their area.

125 RON EACHUS: We have statewide pooling in relation to the long distance interexchange carriage and the excess charge pool which helps finance the high cost companies.

150 OREN FLOYD: I believe that the states need to become more involved in establishing some public policy goals for telecommunications. Through various reports the Executive Department is able to establish public policy goals in the states. Several years ago, United Telephone was trying to bid on some state telecommunication networks and found that we couldn't bid because of public policy, primarily the way we were regulated. The following are impediments in being able to bid and be competitive:

- >Universal service.
- >Fully allocated cost.
- >Absence of long run incremental cost policies.
- >The process of going through the regulatory steps.

Our purpose is aimed at the need to address the state telecommunications policy and the idea that there should be an overall integrated telecommunications infrastructure that meets public policy goals.

250 ED PARKER: The Oregon economy is changing in two important ways. First, it is getting much less local and more national and international. And it is becoming more information intensive. Both of these lead to increased need for improved telecommunications infrastructure. The telecommunications infrastructure is essential to economic development both urban and rural. The state needs telecommunications infrastructure and services for information exchange and for access to information not only by voice but also data and video. Much of economic growth is going to come from small business not from large businesses or government. Oregon has an excellent telephone network, better than most states.

I concur with the ideas that state telecommunications needs to further its focus on strategic policy. We need to recognize the strategic importance of telecommunications, if necessary give the PUC explicit authority to take economic development into account. I think we need to strengthen the Economic Development Department's capacity to be an advocate for telecommunications as a tool of economic development. We need to start building a state consensus with respect to policy on goals. And finally we need the continued feedback and measurement of the goals and benchmarks we do come up with.

396 SENATOR KENNEMER: What percentage of the 7% of people who don't have phones can't get phone service?

415 ED PARKER: I'm not sure, but the percentage is very small.

448 CHAIR JOLIN: Is there any way we can get costs down to people who live outside of town so as to allow them the affordability of phone service?

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050 ED PARKER: Yes. If suburban mileage is eliminated.

068 RON EACHUS: We are working toward eliminating suburban mileage charges.

084 OREN FLOYD: United Telephone has filed a proposal to eliminate all our mileage charges.

100 SENATOR DUFF: Discusses the reasons he is interested in telecommunication issues. There are many ways that telecommunications can affect a business or lifestyle. I am interested in the concept of having video conferences, but due to lack of better telecommunications sources through out the world it is only possible in some areas.

125 CHAIR JOLIN: Adjourns hearing at 1:15 p.m.

Submitted by: Reviewed by:

Apryl Poff Cherie Copeland
Assistant Committee Administrator

EXHIBIT LOG:

A - Telecommunications goals submitted by Duncan Wyse, 1 page.